

THE HFA INSTITUTE 2025

HOME Homebuyer Activities

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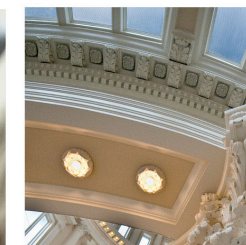
MRBs and Other Federal Homeownership Programs
JANUARY 15 – 17



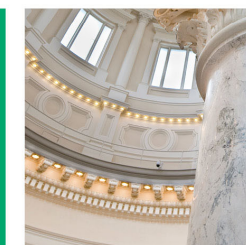
Housing Credit
JANUARY 14 – 16



Section 8 and Other Federally Assisted Multifamily Housing
JANUARY 15 – 17



HOME and Housing Trust Fund
JANUARY 12 – 14

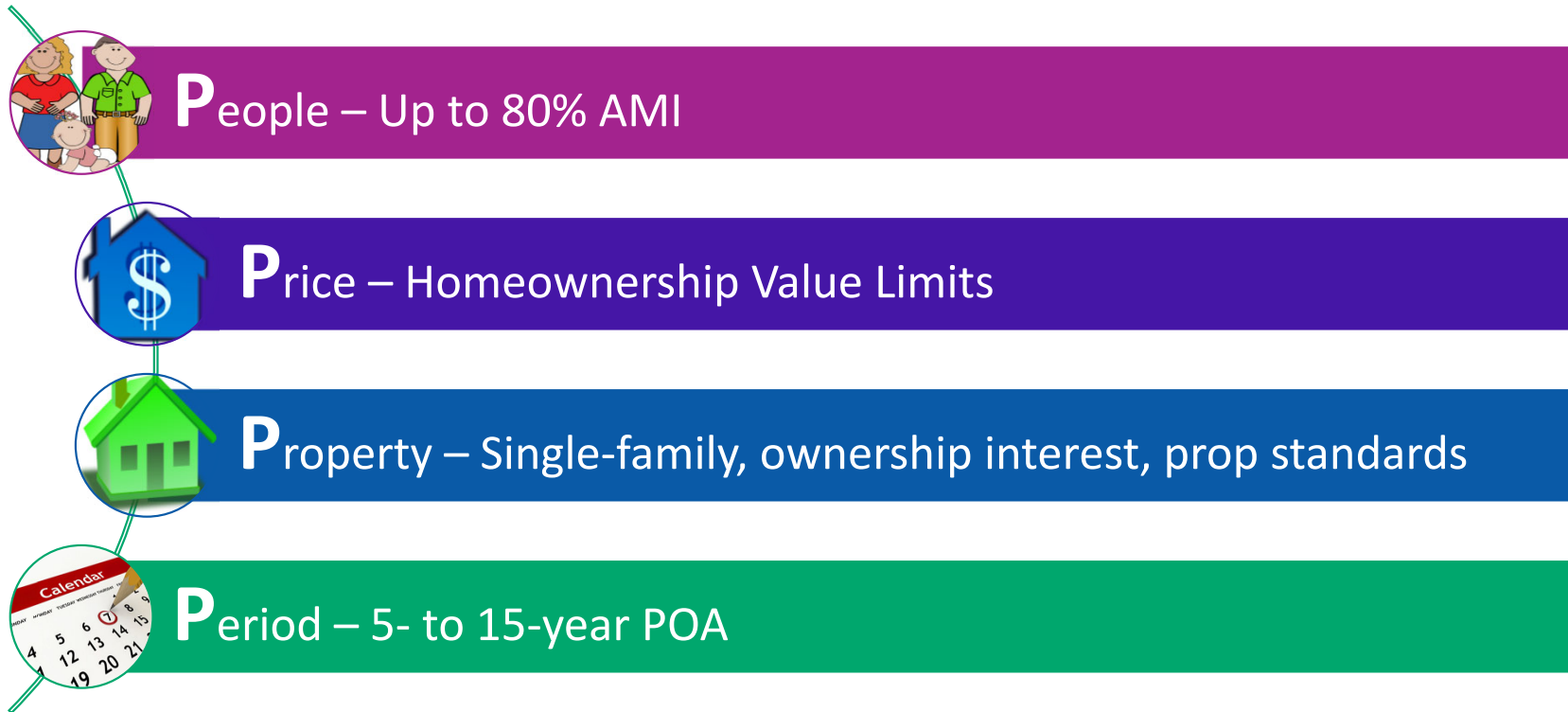


National Council of State Housing Agencies

Eligible Homeowner Activities



Key Homeownership Requirements



Key 2025 Rule Changes: Homeownership

- Changes apply to commitments beginning 2/5/25
 - 1 yr. compliance extension
- “Homeownership assistance” replaces “downpayment assistance”
 - Terminology, not a substantive change
- Sale deadline: 12 mos. from constr. completion (from 9 mos.)
- Homebuyer assistance with rehab within 6 months (92.2 definition of Commitment ¶ (2)(ii)(C) & 92.254(a)(3))
- Removed housing (front-end) ratio to focus only on total debt (back-end) ratio and removed monthly expenses of family from buyer underwriting elements (92.254(**g**)(1))

2025 Key Rule Changes, cont.

- Period of Affordability (POA) (92.254(a)(4)):
 - 5 - 15 thresholds changed (<\$25,000 & >\$50,000)
 - POA begins with recorded instrument & title transfer
- Resale formula methods itemized (92.254(a)(5)(i)(A))
 - Primarily clarifying, no fundamental changes
- Property standards: carbon monoxide/smoke detection
 - Radon: CPD-23-103
- CLTs can have purchase rights (in addition to PJ) (92.2 & 92.254(b)(3))

(Re)Purchase Rights

- Many nonprofits want to have preemptive purchase rights to preserve affordability
 - e.g., Right of 1st Refusal, Right of 1st Purchase
- But 92.2 Homeownership definition prohibits restrictions that “impair the good and marketable nature of title to the ownership interest”
 - 92.254(a)(5)(i) and 92.254(a)(9) allow PJ to use rights of repurchase under resale restrictions
 - Also, when using recapture, pre-emptive purchase rights are inherently restrictions on resale – can’t have hybrid recapture/resale
- Rule allows for CLTs, as defined in 92.2, to hold and exercise preemptive purchase rights – limited only to CLTs
 - Many other non-profits (including Habitat chapters) have sought to retain such rights
 - PJs need to ensure this is not happening

Subrecipients v. Developers



Not-profit or public agency
Administrator – Carries out a program
Determines eligibility for assistance
Responsible for adhering to program requirements (Rule)
Responsible for uniform admin requirements (2 CFR 200)
Only reimbursed for costs incurred (admin & project delivery)



For-profit, non-profit, or (less common) public entity
Implements own projects
Only responsible for written agreement requirements
Can earn developer fees as part of project costs

Agreement as Regulatory Requirement

Buyer assistance programs

- PJ with subrecipient (if applicable): §92.504(c)(2)
- PJ/subrecipient with homebuyer: §92.504(c)(5)
 - If buyer agreement w/subrecipient, PJ should be party & must have enforcement rights

Development projects

- PJ with project developer: §92.504(c)(3)
- PJ with homebuyer: §92.504(c)(5)
 - If buyer agreement with CHDO, PJ should be party & must have enforcement rights

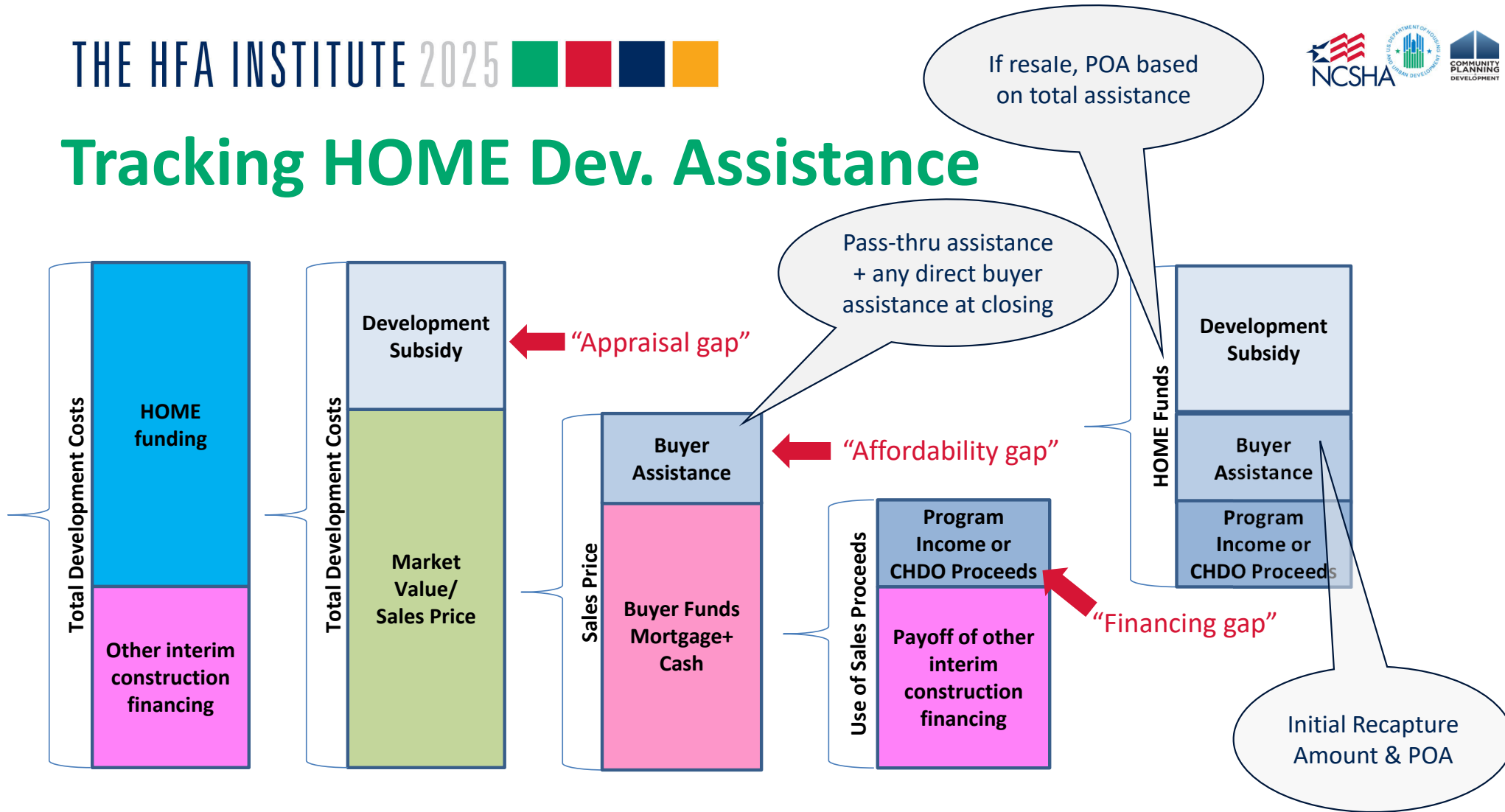
➤ *Legal documents at closing (recapture note/mortgage or resale deed covenant) do not replace or eliminate need for written agreement.*

Development Finance Challenges

Two key challenges:

1. Anticipating “unknown” buyer funds (mortgage capacity) & need for HOME buyer assistance
2. Tracking the final use of HOME Development Assistance:
 - Development Subsidy
 - Pass-through assistance (development assistance that becomes buyer assistance)
 - Net proceeds (Program Income or CHDO Proceeds)

Tracking HOME Dev. Assistance



PJ Homebuyer Policies & Procedures



Homebuyer Assistance Program Design

- PJs should regularly re-assess their homebuyer program design
- Program design needs to reflect local...
 - Objectives, markets, approach(es) & partners
- Design cannot be static: markets, needs & capacity are changing
 - Rising/dropping prices
 - Rising/falling interest rates
 - Growing/shrinking population & changing demographics
 - Incomes not keeping pace with inflation
- Your current program design may or may not be working

Review your Resale/Recapture Policy

- Achieve long-term affordability?
- Build/preserve buyer equity?
- Protect public investment?
- Generate program income?



- Is model still appropriate under current market conditions and level of assistance required?

- Capacity to monitor & approve transactions, sales prices, buyers (resale) or monitor closings & recapture funds (recapture)

HUD must approve any changes

Training & Sample Resources

- Training: Homebuyer Policies hybrid trainings to be scheduled
- Resources:
 - PJ Homebuyer Program Compliance Review & Assessment
 - Sample Homebuyer Underwriting, Responsible Lending, Subordination Policy
 - Program Feasibility Tool (Excel)
 - Buyer Assistance Evaluation Tool (Excel)
 - Sample Written Agreement with assisted buyer

Year Ahead

- Prepare for 2025 Rule implementation
 - Remember, opportunity for delayed implementation
 - Watch for additional HUD guidance on rule changes
- Even without Rule changes, market realities have forced PJs to rethink homebuyer program design – that will continue; be thoughtful
 - Assistance level, resale/recapture approaches, delivery approaches/partners